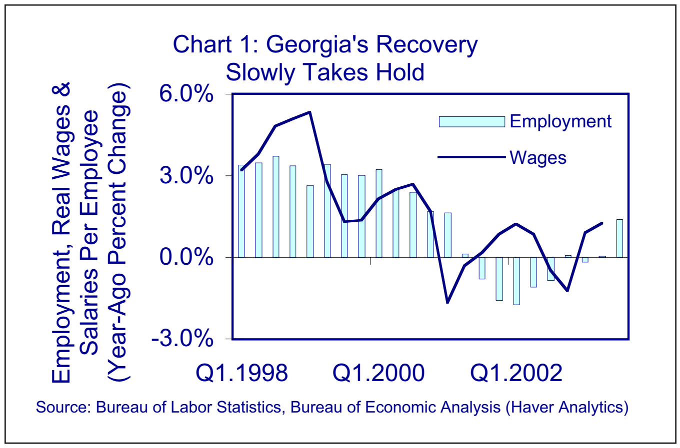
FDIC State Profile

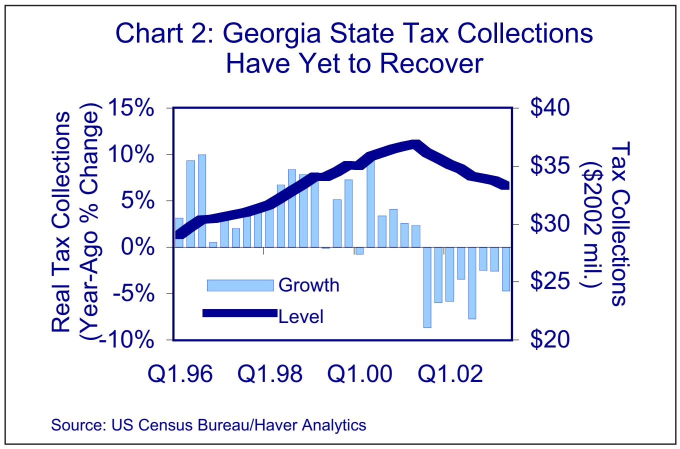
WINTER 2003

Georgia

Economic conditions in the state have slowly improved.

- Georgia extended its recovery in employment into third quarter 2003, ranking among the fastest growing states in terms of year-ago job growth. Wage and salary growth improved as well (see Chart 1). Employment levels in the state, however, remain just under their previous peak in early 2001. Growth in the state remains concentrated in the ***Atlanta*** metropolitan statistical area (MSA).
- The recent recession and subsequent slow pace of recovery have negatively affected the state budget. State tax collections have continued to fall on a real basis (see Chart 2). To close the budget deficit, spending on education will be cut by nearly $200 million, which could lead to layoffs throughout local school districts. Property taxes also may be increased to help reduce the budget deficit.
- The Georgia housing market generally has remained strong; however, growth in home sales and home price appreciation in the state have declined in recent quarters. The Office of Federal Housing Enterprise Oversight reports that price gains are moderating in most Georgia metro areas, including the Atlanta, ***Athens***, and ***Macon*** MSAs; however, through second quarter 2003, home price appreciation exceeded the rate of inflation.
- Atlanta's commercial real estate conditions remain weak, although vacancy rates may be starting to edge downward. In third quarter 2003, the MSA's office vacancy rate was still just over 20 percent. To return to equilibrium, with vacancy rates of between 8 percent and 10 percent, several thousand office and finance, insurance, and real estate jobs would need to be created, especially as new space has continued to come on line.





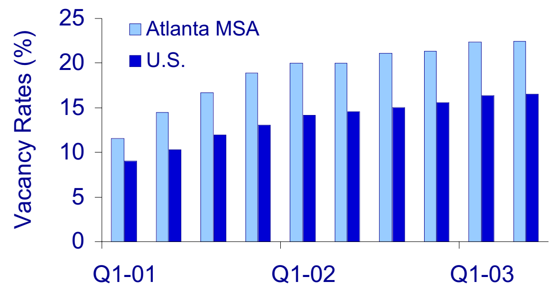
Despite solid earnings growth, profitability measures at Georgia community banks were mixed.

- Earnings growth among community banks[1] based in Georgia continued to be robust during the 12-month period ending June 30, 2003. On a merger-adjusted basis, net income rose 13 percent to $257 million over the 12-month period, compared to $228 million a year earlier. During this time, the decline in earning asset yields exceeded the decline in funding costs, which led to margin compression. Net interest margins fell 18 basis points to 4.24 percent, down from 4.42 percent at June 30, 2002. Nevertheless, return on assets continued to improve and grew modestly by June 30, 2003 to 1.19 percent, up from 1.17 percent in the previous period. Lower noninterest and provision expenses helped lead to the increase.

[1] Community banks have less than $1 billion in assets and exclude de novos, specialty institutions and thrifts.

- At June 30, 2003, total loan growth among Georgia community banks was modest during the year; the aggregate loan- to- asset ratio increased 14 basis points to just fewer than 72 percent as of June 30, 2003. Despite economic weakness, the commercial real estate[2] (CRE) loan portfolio continued to expand. Construction and development and nonresidential mortgages drove the increase in total CRE loan levels. At period end, CRE comprised roughly 48 percent of total loans, up from roughly 45 percent in the previous year.
- The majority of the growth in CRE loans and exposure levels has occurred among community banks headquartered in the Atlanta MSA. At June 30, 2003, CRE loans represented 43 percent of assets among banks based in the Atlanta MSA, the highest level among all metro areas in the state. Office vacancy rates in the Atlanta area remain above the national average at 23 percent (see Chart 3). Although asset quality trends remained favorable as of second quarter 2003, rapid rates of loan growth may understate delinquency and charge-off ratios. Targeted visitations by the FDIC and OCC at banks with high concentrations of construction & development lending find that the majority of lending activity is for the construction of single-family homes.

Chart 3: Office Vacancy Rates in the Atlanta MSA Remain Well Above the National Average



Source: Bank Call Reports

- Other metropolitan areas where the concentration or growth in C&D lending is high include ***Macon*** and ***Savannah.*** The median C&D loan to asset ratio at community banks in Macon is 13.43 percent at June 30, 2003, which ranks sixth nationally among metro areas with seven or more community banks. When comparing the Savannah market to the other large national markets, the median C&D loan-to-asset ratio climbed to 11.61 percent at community banks, an increase of 314 basis points for the year and a rank of 17th nationally.

[2] Commercial real estate consists of construction and development, nonresidential, and multifamily loans.

Georgia at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	340	347	354	368	365
Total Assets (in thousands)	208,278,589	178,367,142	179,080,871	167,313,649	85,626,607
New Institutions (# < 3 years)	31	43	45	49	34
New Institutions (# < 9 years)	91	85	78	72	62

Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	9.08	9.04	9.02	9.53	9.24

Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	1.84%	1.92%	2.33%	1.87%	1.89%
Past-Due and Nonaccrual > = 5%	37	38	44	30	42
ALLL/Total Loans (median %)	1.34%	1.33%	1.34%	1.32%	1.39%
ALLL/Noncurrent Loans (median multiple)	1.77	1.99	2.10	2.49	2.40
Net Loan Losses/Loans (aggregate)	0.42%	0.53%	0.62%	0.38%	0.84%

Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	26	30	35	30	26
Percent Unprofitable	7.65%	8.65%	9.89%	8.15%	7.12%
Return on Assets (median %)	1.06	1.13	1.07	1.26	1.21
25th Percentile	0.69	0.69	0.59	0.88	0.86
Net Interest Margin (median %)	4.19%	4.39%	4.39%	4.91%	4.67%
Yield on Earning Assets (median)	6.26%	7.15%	8.80%	8.93%	8.51%
Cost of Funding Earning Assets (median)	2.10%	2.69%	4.37%	4.06%	3.77%
Provisions to Avg. Assets (median)	0.23%	0.24%	0.23%	0.21%	0.20%
Noninterest Income to Avg. Assets (median)	0.80%	0.77%	0.77%	0.78%	0.82%
Overhead to Avg. Assets (median)	3.02%	3.12%	3.23%	3.26%	3.24%

Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	83.33%	84.39%	80.21%	81.19%	77.27%
Loans to Assets (median %)	71.34%	71.65%	68.61%	68.55%	66.51%
Brokered Deposits (# of institutions)	107	108	79	58	39
Bro. Deps./Assets (median for above inst.)	4.95%	4.73%	3.84%	3.61%	3.18%
Noncore Funding to Assets (median)	22.18%	21.56%	21.76%	19.50%	17.43%
Core Funding to Assets (median)	66.45%	67.31%	66.97%	68.03%	70.85%

Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	241	247	254	270	262
National	61	62	65	65	66
State Member	16	15	12	8	8
S&L	5	6	7	6	6
Savings Bank	17	17	16	19	23
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	200	30,024,069	58.82%	14.42%
Atlanta GA	97	162,293,719	28.53%	77.92%
Macon GA	11	1,728,555	3.24%	0.83%
Chattanooga TN-GA	8	1,081,147	2.35%	0.52%
Savannah GA	7	1,017,339	2.06%	0.49%
Athens GA	6	1,679,222	1.76%	0.81%
Columbus GA-AL	4	4,342,051	1.18%	2.08%
Albany GA	4	820,292	1.18%	0.39%
Augusta-Aiken GA-SC	3	5,292,195	0.88%	2.54%